

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AGR-05 SAJ-01 SAM-01 CIAE-00

DODE-00 PM-03 H-02 INR-07 L-02 NSAE-00 NSC-05 PA-01

PRS-01 SP-02 SS-15 USIA-06 AID-05 COME-00 FRB-03

TRSE-00 XMB-02 OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01

IO-10 STR-04 HEW-02 (ISO) W
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TAGS: ETRD, EAGR, PE

SUBJECT: SUGAR - LATIN AMERICAN PRODUCERS MEETING AT
PUERTO PLATA

REF: STATE 061168

1. EMBASSY OFFICERS MET APRIL 1 WITH ALBERTO STEWART AND
ARMANDO ZAMUDIO, GENERAL MANAGER AND MARKETING SPECIALIST,
RESPECTIVELY, OF CECOAAAP, THE CENTRAL COORDINATING OFFICE OF
THE PERUVIAN SUGAR COOPERATIVES. EMBOFFS REVIEWED CONTENTS
OF REFTEL, TO WHICH THEY FOUND CECOAAAP OFFICIALS RECEPTIVE
AND UNDERSTANDING. OFFICIALS THEN MADE FOLLOWING SPECIFIC
COMMENTS:

A. THEY RECOGNIZE LIKELIHOOD THAT ANY DISCUSSION OF
MAINTENANCE OF PRICE IN LA SUGAR PRODUCERS MEETING MAY BE
EXAGGERATED BY PRESS AND HENCE MISUNDERSTOOD IN U.S.
HOWEVER, THEY SAID THAT, AS PRACTICAL MATTER, NO ONE
COULD EXPECT THAT SUBJECT WOULD NOT COME UP, AND
IT IS PROBABLY BETTER THAT IT DO SO. DISCUSSION MIGHT
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CLEAR THE AIR BY REVEALING THAT ANY EFFORT TO FORM

CARTEL WOULD BE IMPRACTICAL. FOR THEIR PART, THEY DID NOT THINK A SUGAR CARTEL COULD EVER BECOME A REALITY. THEY CONCEDED TWO POINTS MADE REFTEL (I.E. THAT HIGH PRICE WILL ENCOURAGE SUBSTITUTES AND THAT LA CONTROLS AN INSUFFICIENT SHARE OF EXPORT MARKET TO INFLUENCE PRICES) AND ADDED THAT MOST LA'S ARE NOW SELLING SUGAR ON BASIS OF FORWARD CONTRACTS. IN THIS CONNECTION THEY CITED PERU, WHICH HAS ALREADY CONTRACTED TO SELL HALF OF CURRENT YEAR'S PRODUCTION; MEXICO WHICH HAS CONTRACTED TO SELL 200,000 TONS TO EUROPE, AND CARIBBEAN PRODUCERS WHICH HAVE REACHED LONG-TERM AGREEMENT WITH U.K. THEY DID NOT THINK ANY CARTEL COULD FUNCTION EFFECTIVELY WITH MUCH OF ITS PRODUCTION PREVIOUSLY COMMITTED IN THIS FASHION.

B. WITH RESPECT TO PRESSURE BY "SOME COUNTRIES" (THEY MEANT CUBA) TO "DEFEND" PRICES, THEY SAID THEY COULD NOT CONCEIVE THAT COUNTRIES SUCH AS BRAZIL, OR FOR THAT MATTER PERU, WOULD FOLLOW CUBAN LEAD AT EXPENSE OF THEIR OWN ECONOMIC SELF-INTEREST.

C. THEY ARE COGNIZANT OF DANGER THAT EXCESSIVE SUGAR PRICE WILL ENCOURAGE SUBSTITUTES, BUT WERE INCLINED TO THINK THIS DANGER LESS THAN THAT FORESEEN BY REFTEL. GIVEN WORLD INFLATION, THEY FELT THAT TEN CENTS PER POUND SUGAR IS PROBABLY EQUIVALENT TO LOW PRICES OF SOME YEARS AGO AND THAT, IN VIEW OF MEDIUM TERM TREND OF DEMAND GROWING IN EXCESS OF SUPPLY, PRICE WOULD PROBABLY STABILIZE AT HIGHER LEVELS. THEY ALSO BELIEVED THAT THERE IS A LIMIT TO POPULAR ACCEPTABILITY OF SUGAR SUBSTITUTES.

D. WITH RESPECT TO EXPORTS TO THE U.S., THE OFFICIALS COMMENTED THAT THEY ARE WELL AWARE OF THE DESIRABILITY OF MAINTAINING A STRONG POSITION IN THE U.S. MARKET. HOWEVER, COECOAP IS NOW MARKETING ITS SUGAR THROUGH BROKERS WHO IN TURN ARE GUIDED BY MARKET FORCES AND SELL ACCORDING TO THE BEST OBTAINABLE PRICE, REGARDLESS OF COUNTRY OF DESTINATION.

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2. EMBOFFS ASKED OFFICIALS HOW THEY WOULD VIEW POSSIBILITY OF NEW U.S. SUGAR LEGISLATION. THEY SAID THEY BELIEVED THIS WOULD BE REGARDED AS VERY POSITIVE STEP IN RIGHT DIRECTION. PREVIOUS LEGISLATION HAS SERVED VERY USEFUL PURPOSE IN STABILIZING AND MAINTAINING PRICE OF SUGAR. THEY ADDED THAT IT WOULD BE PARTICULARLY WELCOME IF THE U.S. COULD CALL A MEETING OF MAJOR WORLD EXPORTERS OF SUGAR AT THE TECHNICAL LEVEL TO

EXCHANGE VIEWS AND COULD TAKE THEIR OPINIONS INTO
ACCOUNT IN FRAMING ANY NEW LEGISLATION.

3. COMMENT: STEWART AND ZAMUDIO ARE THOROUGHLY FAMILIAR
WITH REALITIES OF WORLD SUGAR MARKET AND THEIR MODERATE,
REALISTIC VIEWS AS EXPRESSED ABOVE ACCURATELY REFLECT
THEIR ATTITUDE. LEFT TO THEMSELVES, THEY WOULD
PROBABLY ADOPT SUCH A POSITION AT PUERTO PLATA MEETING.
HOWEVER, FOREIGN SALES OF SUGAR NOW FORMALLY FALL WITHIN
THE PURVIEW OF THE NEW MINISTRY OF COMMERCE, AND COMMERCE
MINISTER ARIAS HAS PUBLICLY MADE SOME STRONG STATEMENTS
WITH RESPECT TO THE DESIRABILITY OF PRODUCER CARTELS.
THE PERUVIAN DELEGATION TO PUERTO PLATA WILL PROBABLY
BE HEADED BY A COMMERCE OFFICIAL, AND STEWART WILL BE
WORKING WITH HIM TO COORDINATE THE GOP POSITION. WE
WILL TRY TO MEET WITH STEWART AGAIN AFTER THIS POSITION
HAS BEEN WORKED OUT. WITH RESPECT TO STEWART'S
SUGGESTION IN PARAGRAPH 2 ABOVE, WE WOULD BE INTERESTED
IN ANY COMMENTS THE DEPARTMENT MIGHT HAVE WHICH WE
COULD RELAY TO HIM.
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